ECONOMICS SEMINAR

LAPSES, DEATH LOSSES AND MEMBERSHIP IN ASSESSMENT SOCIETIES

[From THE SPECTATOR, New York, June 29, 1916.]

SOME years ago an epidemic of assessment life insurance organizations swept over the country and there was scarcely a city or town of over ten thousand population that did not have an association of this character. Their origin was due mainly to the apparent success achieved by a few fraternal organizations which had grown rapidly in size and were giving their members insurance at a very low rate. That is, the members were paying assessments which, in the course of a year, amounted to considerably less than the rates charged by legal reserve or level premium companies at the same ages. Misled by these low rates, organizers started business assessment associations, thinking that the fraternal experience could be duplicated; but the multiplicity of the associations caused a strenuous competition for business, resulting in expenses for agency work which the fraternal orders were free from. As a consequence the expense accounts grew to abnormal proportions; so that when the mortality rate increased, the burden of assessments became too heavy and members lapsed their certificates to go into other organizations which offered lower rates. The associations, finding that their healthy members were deserting them, were forced to increase still more the assessments on the remaining members, until the inevitable failure occurred and many were left without insurance, while in thousands of instances beneficiaries found themselves unable to collect the money due them.

With the passing of the great majority of business assessment associations, the field of cheap insurance was left to the fraternal organizations, several of which have experienced a phenomenal growth. These orders, however, have had it brought forcibly home to them during recent years that their plan of operation is unsound, and some of the wiser heads among the managers have spent much time and thought in devising means to remedy the defects of the business so as to approach the standard of solvency now demanded by a majority of the States. Their task is a difficult one for the reason that many of the members object to any plan which involves an increase in the current rate charged. They apparently are imbued with the idea that the orders will last out their time, anyway, and take no thought of the burdens which will eventually be imposed on the new members.

The experience of some of the older and larger fraternal orders and a few of the remaining business assessment associations is shown in the accompanying table dealing with fifty-three organiza-

Lapses, Death Losses and Membership in Assessment Societies.

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Name and location of company.	Commenced Business.	Policy Account.						Membership.			Deaths Occurring.			Ratio of Death. Losses per 1000.		
		1905.		1910.		1915.										
		Written	Lapsed	Written	Lapsed	Written	Lapsed	1905.	1910.	1915.	1905.	1910.	1915.	1905.	1910.	1915.
Free Sons of Israel, New York City	1849	456	218	249	484	265	296	10,865	9,480	7,842	250	268	295	23.01	28.26	37.62
Telegraph and Telephone Life Ass'n, N. Y. City	1867	294	157	221	150	216	277	5,414	5,381	5,241	75	97	90	13.85	18.02	17.17
Expressman's Mut. Benefit Ass'n, N. Y. City	1869	659	126	353	257	385	157	3,027	3,603	4,024	39	48	42	12.88	13.32	10.44
Masonic Life Ass'n, Buffalo, N. Y.	1872	1,141	636	1,423	975	1,777	1,149	8,509	11,902	13,945	128	200	237	15.06	14.05	16.99
Artisans Order of Mut. Protection, Philadelphia	1873	749	244	1,226	308	2,179	2,681	8,995	12,190	17,118	81	104	176	9.00	8.54	10.28
Shield of Honor, Baltimore, Md.	1875	654	2,963	†	†	235	501	10,784	†	8,355	144	†	187	13.35	...	22.38
Golden Cross, U. O. of, Knoxville, Tenn.	1876	2,283	2,227	2,082	2,193	1,539	1,824	18,392	17,863	16,611	304	340	356	16.53	19.03	21.43
Knights and Ladies of Honor, Indianapolis	1877	18,675	10,488	5,768	14,128	4,474	17,160	83,088	73,077	51,740	1,208	1,483	1,429	14.54	20.29	27.62
Knights of Pythias, Indianapolis	1877	14,796	7,349	13,216	14,367	8,555	9,677	74,857	71,779	70,860	793	1,076	979	10.59	14.99	13.82
Royal Arcanum, Boston	1877	22,678	69,780	15,460	9,351	12,706	11,549	254,756	245,458	243,095	3,225	3,579	4,048	12.67	14.57	16.65
Improved Order Heptasophs, Baltimore	1878	8,965	4,528	5,190	7,190	2,301	4,779	65,996	70,755	63,336	740	979	1,074	11.21	13.83	16.96
K. T. and Masonic Mut. Aid, Cincinnati	1878	458	262	336	377	528	333	8,512	6,463	5,753	190	152	167	22.32	23.51	29.03
Order of Mutual Protection, Sup. Lodge, Chicago	1878	1,261	834	758	436	460	353	8,410	6,033	6,027	85	85	100	10.10	14.09	16.59
Scottish Clans, Order of, Boston	1878	1,380	627	2,689	750	1,508	1,200	9,387	13,753	17,007	88	102	174	9.37	7.42	10.23
Catholic M. B. Ass'n, Hornell, N. Y.	1879	3,426	2,586	2,594	1,221	3,318	2,133	57,638	60,340	64,187	817	974	1,077	14.18	16.14	16.78
Pilgrim Fathers, U. O. of, Lawrence, Mass.	1879	1,194	996	511	477	31	4,274	19,601	17,956	5,566	295	360	275	15.05	20.43	49.41
Catholic Knights of America, St. Louis, Mo.	1880	508	1,356	784	723	1,351	599	17,335	18,537	18,542	456	446	430	26.27	24.05	23.19
Polish National Alliance, U. S. A., Chicago	1880	7,480	2,248	14,746	3,998	21,752	16,319	43,385	67,505	107,261	425	662	1,024	9.80	9.81	9.55
Catholic Benevolent Legion, Brooklyn, N. Y.	1881	255	2,004	431	527	805	379	19,971	16,156	15,289	526	474	496	26.34	29.33	32.44
National Union, Toledo, Ohio	1881	4,025	7,610	8,368	7,340	1,965	4,858	61,019	63,707	57,910	768	971	1,047	12.59	15.24	18.08
Totals and averages (20 companies)	....	91,337	117,239	76,405	65,252	66,350	80,498	789,941	791,938	799,709	10,637	12,400	13,703	13.46	15.66	17.13
Knights of Columbus, New Haven, Conn.*	1882	8,088	1,590	8,984	2,984	10,826	5,722	49,475	79,925	111,815	337	584	768	6.81	7.30	6.87
The Maccabees, Detroit, Mich.	1883	39,141	60,244	28,242	24,338	21,600	27,676	298,891	270,401	308,561	2,402	2,517	3,765	8.04	9.30	12.20
Royal League, Chicago, Ill.	1883	4,641	2,175	3,222	2,343	2,571	3,342	27,524	30,182	31,608	186	268	377	6.76	8.87	11.93
Modern Woodmen, Rock Island, Ill.	1884	96,010	39,338	149,267	58,794	74,764	50,307	713,837	1,129 805	940,225	3,787	6,537	7,368	5.31	5.78	7.84
Fraternal Mystic Circle, Philadelphia, Pa.	1885	5,260	4,434	4,871	4,771	2,842	4,020	14,503	21,005	16,880	125	225	206	8.62	10.71	12.20

Grand Fraternity, Philadelphia	1886	2,141	3,656	2,[illegible]	[illegible]	370	777	8,577	8,408	8,466	78	111	47	9.69	13.32	17.36
Protected Home Circle, Sharon, Pa	1886	10,566	8,461	15,[illegible]	8,029	14,310	9,214	57,392	78,034	92,489	449	614	859	7.82	7.86	9.29
Workingmen's Co-operative Ass'n of U. S. A., New York City	1886	1,253	1,054	1,958	1,428	21,410	18,694	5,242	6,123	17,075	82	91	137	15.64	14.86	8.02
Totals and averages (9 companies)	....	169,872	120,487	215,203	106,673	152,351	121,825	1,186 825	1,635 727	1,539 139	7,534	11,153	13,852	6.35	6.82	9.00
New England Order of Protection, Boston	1887	4,927	1,679	8,904	4,175	694	4,084	41,310	65,176	47,621	354	638	706	8.57	9.63	14.82
Loyal Association, Jersey City	1889	668	451	279	229	359	304	7,372	6,740	6,454	84	100	105	11.40	14.83	16.27
Order of Sons of St. George, Chicago	1889	177	139	314	83	401	222	2,042	2,601	5,656	18	24	88	8.81	9.23	15.56
Fraternal Aid Union, Lawrence, Kan	1890	4,303	4,682	5,855	3,811	6,991	20,114	28,485	36,944	64,283	222	288	919	7.78	7.79	14.30
Ladies Catholic Benev. Ass'n, Erie, Pa	1890	3,456	2,532	5,838	926	11,402	2,163	89,943	113,295	150,900	731	1,096	1,478	8.13	9.67	9.79
National Protective League, Waverly, N. Y	1890	55,026	15,324	13,091	34,428	3,989	8,806	136,677	86,281	21,943	734	965	248	5.37	11.18	11.30
Travelers Prot. Ass'n of America, St. Louis	1890	6,022	†	6,382	4,778	11,152	6,238	27,396	40,204	53,102	†	254	416	....	6.32	7.83
Womens Ben. Ass'n of the Maccabees, Pt. Huron., Mich.‡	1890	18,802	17,226	15,559	8,315	24,893	14,413	124,113	135,359	170,224	877	1,008	1,390	7.07	7.44	8.17
Catholic Knights of Ohio, Cleveland	1891	615	277	699	216	318	673	7,089	7,706	7,935	62	83	109	8.74	10.77	13.74
Woodmen of the World (S. C.), Omaha, Neb	1891	67,307	27,948	118,905	51,643	126,033	42,253	274,592	563,466	751,058	2,019	4,165	5,872	7.35	7.39	7.82
Totals and averages (10 companies)	....	161,363	70,258	175,826	108,604	186,232	99,270	739,019	1,057,772	1,279176	5,101	8,621	11,331	6.90	8.15	8.86
German Beneficial Union, Pittsburg	1892	3,609	2,590	4,668	1,993	4,523	2,976	12,586	16,087	23,345	102	152	227	8.10	9.44	9.72
Knights and Ladies of Security, Topeka, Kan	1892	17,260	9,144	23,750	11,812	34,978	23,202	56,083	100,383	165,779	419	815	1,396	7.47	8.11	8.42
Catholic Relief and Bene. Ass'n, Auburn, N. Y	1893	765	402	672	566	394	902	8,512	11,879	11,581	74	120	173	8.69	10.01	14.94
Foresters, United Order, Milwaukee	1893	3,906	1,774	2,377	2,177	1,330	1,664	11,650	13,836	13,379	40	111	145	3.43	8.02	10.84
American Insurance Union, Columbus	1894	3,014	1,768	5,377	2,960	18,892	5,295	11,505	24,736	42,397	59	207	333	5.13	8.37	7.85
Gleaners, Ancient Order of, Detroit, Mich	1894	8,594	2,379	7,077	2,646	5,757	4,617	46,064	62,738	66,685	192	312	360	4.17	4.97	5.40
Ben Hur, Sup. Tribe, Crawfordsville, Ind	1894	17,897	8,637	20,068	11,981	18,517	18,441	88,138	113,328	100,018	686	975	1,069	7.78	8.60	10.69
Columbian Knights, Order of, Chicago, Ill	1895	4,374	2,493	1,586	1,308	1,248	1,170	13,056	11,979	12,642	110	121	160	8.42	10.11	12.66
Court of Honor, Springfield, Ill	1895	7,886	19,312	9,249	7,501	13,190	11,088	56,522	64,843	74,316	417	575	705	7.38	8.86	9.49
North American Union, Chicago, Ill	1895	3,223	13,774	1,752	2,051	12,032	4,198	13,871	14,569	31,307	97	150	319	6.99	10.29	10.19
Royal Neighbors of America, Rock Island, Ill	1895	16,209	2,927	35,977	4,961	32,569	5,722	97,347	209,873	283,911	473	1,049	1,645	4.86	4.99	5.79
Woodmen Circle, Omaha, Neb	1895	13,546	5,442	26,578	10,209	25,030	13,576	32,841	91,554	155,421	202	621	1,138	6.15	6.79	7.32
Mystic Workers of the World, Fulton, Ill	1896	6,545	3,012	10,817	3,986	15,282	7,868	35,553	64,227	86,003	202	356	522	5.67	5.54	6.07
Brotherhood of Amer. Yeoman, Des Moines	1896	11,669	5,621	41,286	18,116	44,237	26,959	51,939	133,984	208,169	282	736	1,298	5.43	5.49	6.24
Total and averages (14 companies)	....	118,497	79,275	191,234	82,267	227,979	127,678	535,667	934,016	1,274,953	3,355	6,300	9,490	6.26	6.74	7.44
Grand total and averages (53 companies)		541,069	387,259	658,668	362,796	632,912	429,271	3,251,452	4,419,453	4,892,977	26,627	38,474	48,376	8.19	8.71	9.89

* Has scientific system; not dependent on lapses. † Figures not obtainable. ‡Formerly Ladies of the Maccabees of the World.

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tions and covering three years of the past decade. At the close of 1915 these organizations had 4,892,977 certificates in force, representing a gain of fifty per cent over ten years ago; but in spite of this gain, the lapses and death losses increase in much greater proportion.

The exhibit is divided into four groups, the first embracing twenty organizations which have been in existence for thirty-five years or more. The figures show a great decline in the number of certificates written, while the lapse ratio has gone up to 120 per cent as compared with the new issues. The average death rate has increased from 13.46 per thousand members in 1905 to 17.13 per thousand in 1915, while the individual experience last year ranged from 9.55 to 49.41 per thousand. The second group consists of nine organizations, including the largest order of the country, and also shows a greatly increased lapse rate and a rapidly mounting number of deaths. The proportion of deaths in this group has gone up in the past ten years from 6.35 to 9 per thousand.

In the third group the organizations are from twenty-five to thirty years old; and while the average lapse ratio is somewhat more favorable than in the two preceding groups, the death losses show the inevitable increasing tendency. In 1905 the deaths occurring were but 6.90 per thousand, while in 1915 they had increased to 8.86 per thousand.

The fourth group embraces fourteen societies varying from twenty to twenty-five years old. Here again the lapses increase faster proportionally than the new issues and the death losses also show an increase from 6.26 per thousand in 1905 to 7.44 per thousand last year.

The totals and averages for the entire table indicate that lapses are now nearly sixty-eight per cent of the new issues, while the death rate is steadily increasing, the figures for 1915 being 9.89 per thousand as against 8.19 per thousand ten years ago. A careful study of the table will show that many societies are in precarious straits and are in danger of imperilling the protection which their members believe they have been paying for.

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